

1 IN THE UNITED STATES BANKRUPTCY COURT
2 FOR THE NORTHERN DISTRICT OF TEXAS
3 DALLAS DIVISION

4 In Re:)
5 Goodman Networks, Inc.,) Case No. 22-31641 (MVL)
6 Debtor.)
7 _____)
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13 VIDEOTAPED VIDEOCONFERENCE DEPOSITION OF
14 CORPORATE REPRESENTATIVE OF PROSPERITY BANK

15 WITNESS LOCATION: Houston, Texas

16 Wednesday, September 6, 2023

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25 REPORTED BY:

Katherine West, LCR No. 791, RPR

1 Videotaped videoconference deposition of
2 CORPORATE REPRESENTATIVE OF PROSPERITY BANK, beginning
3 at 9:36 a.m. CDT, and ending at 2:51 p.m. CDT, on
4 Wednesday, September 6, 2023, before Katherine West, LCR
5 No. 791, RPR, reporting remotely via videoconference.

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1 E X A M I N A T I O N
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4 PROSPERITY BANK

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1 HOUSTON, TEXAS; WEDNESDAY, SEPTEMBER 6, 2023

2 9:36 a.m. CDT - 2:51 p.m. CDT

3 * * * * *

4 THE VIDEOGRAPHER: It's Wednesday,
5 September 6, 2023. We are on the record at 9:36 a.m.

6 This is the video-recorded deposition of
7 corporate representative of Prosperity Bank, David
8 Montgomery, taken in the matter of In Re: Goodman
9 Networks, Inc.

10 This deposition is being held remotely via
11 Zoom. My name is Domenico Martorello. I'm the
12 videographer representing Veritext.

13 At this time, I'll now turn it over to our
14 court reporter to swear in the witness.

15 DAVID MONTGOMERY,
16 the witness herein, having been first duly sworn, was
17 examined and testified as follows:

18 EXAMINATION

19 BY MR. HILLYER:

20 Q Good morning, Mr. Montgomery. My name is Cam
21 Hillyer with the law firm of Butler Snow, and I
22 represent FedEx. I appreciate you making time for us
23 this morning.

24 As an initial matter, I'm going to publish the
25 notice of -- I'm sorry. It's already published, the

1 discovered that email as well.

2 Q Okay. Let me rephrase the question. What
3 value did Prosperity give Goodman Networks in exchange
4 for that assignment?

5 A I don't know that there was a direct benefit
6 from Prosperity to Goodman Networks.

7 Q Thank you.

8 Last -- last question. Do you know whether
9 assets -- strike that.

10 I believe your previous testimony is it was
11 your understanding that there was a contemplated
12 transfer of Genesis assets to Endeavor.

13 Sitting here today, do you know if Genesis
14 transferred assets that were encumbered by Prosperity to
15 Endeavor?

16 A Not with certainty, no, but realistically I
17 believe that that did happen. So, I mean, maybe a
18 little clarity to that point. Once we're taking this
19 assignment, right, we're -- I think as a bank we're not
20 particularly concerned anymore with what the assets are
21 doing or where they're going.

22 In our mind, our primary collateral was the
23 deposit account. And not dissimilar to any other loan
24 where we've released collateral, it's, you know, your
25 right as owner to do with it what you may.

1 directions from Company and Controlling Agent with
2 respect to the transfer of funds."

3 A Yes, sir.

4 Q Okay. And so I'll ask you now: Why did
5 Prosperity put the funds into Account 0188 and not into
6 3992?

7 A I would say that at this exact moment in time,
8 there were kind of two things happening that informed
9 our action.

10 One, we were trying to confirm to the best of
11 our knowledge that we didn't have a claim on the
12 account. I think at or around the time of the letter,
13 we were relatively confident that we didn't or at least
14 couldn't produce conflicting information that we did.

15 Separately, at or around this time, the
16 representatives of the debtor itself were seeking for
17 release and for us to allow use of funds for a variety
18 of issues, and so we -- rather than send them one way or
19 the other, we just put them into an account under our
20 legal control until we could, for lack of a better term,
21 get a referee.

22 Q Okay. And Account 0188 is a deposit account;
23 correct?

24 A I don't think it's technically a deposit
25 account. We have accounts within the GL system of the

1 bank that, I mean, you can use to clear transactions or
2 hold funds or that sort of stuff. So, I mean, it's just
3 an account that's within the company that is subject to
4 the control at the discretion of our legal department.

5 Q Okay. Well, I'll ask you again. Is it -- is
6 0188 a deposit account?

7 A I can't tell you with certainty if it is or
8 isn't technically styled a deposit account. It's an
9 account within the bank that we hold funds in.

10 Q So I can produce it, but it -- would it
11 surprise you if the bank has filed a pleading with the
12 court that says the segregated account is a deposit
13 account and was created for the purpose of segregating
14 the subject funds from other cash held at Prosperity?

15 A No, sir. That wouldn't surprise me.

16 Q Okay. So is your testimony today that it is
17 or is not a deposit account?

18 A My personal belief is that whether it is or
19 isn't isn't particularly relevant. It's an account that
20 we're holding the funds in and segregating. Like, I
21 don't know why we're stuck on if it's a deposit account.
22 It's not relevant.

23 Q Well, Mr. Montgomery, you don't get to make an
24 objection. I'd ask you to answer the question. It's a
25 yes or no.

1 A I've answered the question.

2 Q Is it a deposit --

3 A I don't think it is, but I don't know.

4 Q How do you not know? You're the bank
5 representative. You don't know what an account is?

6 A Can we just exhibit what you're looking at?
7 Let's clear it up that way.

8 Q Sure.

9 A Thank you.

10 Q Sure.

11 MR. HILLYER: Can you bring up the Prosperity
12 Bank reply?

13 MR. LANGLEY: Yep. Just a second.

14 (Exhibit 21 was marked for identification.)

15 BY MR. HILLYER:

16 Q You should have Exhibit 21.

17 A Pulling it up now. We've got that in front of
18 us.

19 Q Okay. Look at page 9, paragraph 20.

20 A Looks like we say it's a deposit account.

21 Q Is that your testimony today?

22 A Sure.

23 Q Okay. And that deposit account -- you can go
24 back to Exhibit 16.

25 A I'm sorry. I'm there.

1 Q Okay. Go to the attachments past the letter,
2 please.

3 A Yes, sir.

4 Q Okay. And go to -- it will be Prosperity 423.
5 It should be the last page of that.

6 A Okay.

7 Q Okay. And that is an account statement, or
8 what would you describe that as, Mr. Montgomery?

9 A So, I mean, that's where my comments on is it
10 a deposit account or is it an "an" account,
11 quote-unquote. I know you didn't like my answer, but
12 the account's styled in our name which is intended to
13 imply it belongs to no one else at the moment. We've
14 designated that it's held funds per legal related to the
15 Goodman Networks matter, and you can see a couple of
16 entries in the history.

17 Q Okay. And, again, that -- my question was is
18 this a screenshot of an account within your internal
19 system?

20 A Yes, sir.

21 Q Okay. And what system would generate this
22 screenshot?

23 A Our core system we've talked about, you know,
24 an official version of record -- it's out of Precision.

25 Q Okay. And the -- who was the account owner of

1 telling him I might look to see if he did illegitimate
2 things is intended to put him on notice that that's
3 where we're going.

4 Q Okay. Give me one second.

5 All right. I'm going to introduce -- it's
6 Prosperity 17056.

7 MR. LANGLEY: It will be Exhibit 30.

8 (Exhibit 30 was marked for identification.)

9 BY MR. HILLYER:

10 Q It will be Exhibit 30. I'll represent to you,
11 Mr. Montgomery, this is an -- a Prosperity document for
12 the procedures for adding critical alerts, and this was
13 produced by your counsel in response to restrictions
14 placed on the 0188 account.

15 Are you familiar with these procedures or --

16 A Yes.

17 Q Okay. And so you go to page 2 that deals with
18 deposit accounts. Okay? And it's six -- "Demand
19 Deposit Accounts." Six events that qualify for critical
20 alerts.

21 If you'll look at the fourth bullet point
22 down, "Legal alerts," is that what is currently on
23 Account 0188?

24 A Yes, sir.

25 Q Okay. And once it's put -- once a legal alert

1 on a deposit account is put in place, who has the
2 authority to take any action on that account?

3 A I mean, nobody until they're advised by legal
4 what, if anything, to do.

5 Q Okay. For -- I don't want to get into
6 hypotheticals but -- so if you call up and say, "Hey,
7 transfer a million dollars of that 0188 to the
8 bondholders." You can't do that without legal's
9 approval.

10 A No, sir.

11 Q Is that correct?

12 A That's true.

13 Q Okay. So -- all right. Let's put in 17060.

14 MR. LANGLEY: 31.

15 (Exhibit 31 was marked for identification.)

16 BY MR. HILLYER:

17 Q It should be Exhibit 31.

18 A I have that in front of me.

19 Q You have it in front of you?

20 A Yes, sir.

21 Q Okay. So this says it's a proof daily
22 transaction journal. Is this something that's generated
23 from the core system that you referenced earlier?

24 A My gut is no because it doesn't look like
25 anything that I would take from the core system, but

1 that said, I mean, I don't know if there is, like,
2 behind-the-scenes reporting. I'm sure there probably
3 is. And I don't know if this is referencing that or
4 something in our accounting software. But either way,
5 it's somewhere in that part of the daily processing.

6 Q Okay. And, again, I believe we've covered
7 some of this, so this looks like four line entries:
8 two debits, two credits.

9 Would that be correct?

10 A I don't see anything that notes it as a debit
11 or a credit, so it's hard to answer that, sir.

12 Q Okay. Well, I'll say this: It has two
13 entries for -- with the 7915 and 7916, which are the
14 loans.

15 A Yes, sir.

16 Q And they say "Advance." And then it has a
17 similar line entry with both selection 151 out to the
18 side for deposits into the 0188 account.

19 Am I reading that correctly?

20 A I mean, I believe that to be true just because
21 of what we've seen prior to this document, but I can't
22 interpret this document as same. I don't know what
23 "BP." I'm assuming that's batch processing. I don't
24 know what 5 and 438 codes are. I don't -- this is
25 pretty far in the weeds.

1 Q That was going to be my next question is do
2 you know what "Sel 151, 501, 517, 151" -- do you know
3 what that means?

4 A The only thing I would be willing to say with
5 any certainty is "Seq" is sequence, and those are the
6 order that they were ran, potentially.

7 But, I mean, again, this is -- this is
8 probably happening either behind the scenes in our core
9 processing system or in the transition from our core
10 processing system into our general ledger, and I just
11 can't give you a ton of color on what any of that would
12 mean with effect to what's happening behind the scenes.

13 Q Okay. So do you know what Y -- "User YECJ"
14 means?

15 A No, sir. I mean, I think we have that
16 designation on the deposit accounts, and I don't think I
17 knew then either. I mean, the time this is running is
18 12:43 a.m., so I mean, that's --

19 Q Is that a person?

20 A I just don't know.

21 Q Okay. Who would have -- if you don't have the
22 information or do not know the information related to
23 the selections and sequencing on the loan numbers and
24 the 0188 account numbers, who would have that intimate
25 knowledge, information about this transaction journal?

1 A Our IT department.

2 Q Give me one second.

3 Okay. So I believe your testimony earlier was
4 so the 0188 account is a deposit account at Prosperity
5 Bank and the account owner is Prosperity Bank; is that
6 correct?

7 A Just to be clear, the only thing that makes me
8 think it's a deposit account for sure is our letter
9 response, which I think is true. But, yes, it's an
10 account in the name of Prosperity at Prosperity.

11 Q Okay. And we can discuss it as much as you
12 want, Mr. Montgomery, but I'm going to ask you about
13 control.

14 So who has control over that account right
15 now?

16 MS. ARGEROPLOS: Objection. Form.

17 THE WITNESS: The legal department. That's
18 the whole nature of the hold.

19 BY MR. HILLYER:

20 Q Okay. And what is your basis for that
21 knowledge or basis for that statement?

22 A That one of the previous exhibits we looked at
23 noted it as a legal hold.

24 Q Okay.

25 A I think it was a screenshot of the account.

1 Q Okay. And if that legal hold was lifted on
2 0188, who has control over that account?

3 MS. ARGEROPLOS: Objection.

4 THE WITNESS: I don't know the answer to that.
5 I don't think there would be authorized signers or, I
6 mean, presumably there's some level of, like, deposit
7 operations personnel that are senior enough to effect a
8 transaction.

9 But I just -- it's not like a regular deposit
10 account -- right? -- where authorized signers can effect
11 actions or anything like that. It's an internal
12 Prosperity account, so people that could make entries
13 would be limited to something like, you know, senior
14 deposit operations folks and senior accounting folks.

15 BY MR. HILLYER:

16 Q Okay. All of those people are internal at
17 Prosperity; correct?

18 A Yes, sir. I don't believe anyone outside of
19 the company would have any ability to transact on this
20 account.

21 Q Even if the legal hold was not there?

22 A Yes, sir.

23 Q Okay.

24 A Just to be clear, even absent the legal hold
25 could someone outside the company transact on this

1 MS. ARGEROPLOS: Okay. I just have a few
2 questions.

3 EXAMINATION

4 BY MS. ARGEROPLOS:

5 Q Okay. Earlier in your testimony when you were
6 being asked -- sorry. This is Victoria Argeroplos.
7 Just doing some redirect.

8 Earlier in your testimony, you were asked
9 about whether or not a security agreement existed for
10 the revolving line of credit, and you said, "I don't
11 think all loans need a security agreement."

12 Were you saying that you don't think all loans
13 need a separate document in order to be secured?

14 A Yeah. That's right. I mean, you can cover
15 the same concepts in loan agreements and deed of trusts.

16 Q Okay. And talking about the collateral, are
17 these loans -- are the two loans to Genesis -- to the
18 Genesis borrowers, are they cross-collateralized?

19 A I don't know the answer to that, but the
20 presence of the UCC-1 would be an all-assets filing, so
21 I think we would share assets on the two facilities.

22 Q Okay. Fast-forward to the May 2020 conversion
23 from LegacyTexas Bank to Prosperity. We were talking
24 about the flag of the 3992 account having a DACA
25 attached to it.

1 When -- when the account -- when the 3992
2 account was transferred to Prosperity, was that flag
3 attached to the account?

4 A I don't believe so, no.

5 Q And so is it your belief that the flag -- the
6 DACA flag dropped off the account while the account was
7 still at LegacyTexas Bank?

8 A Yes. I do believe that.

9 Q Okay. When the 3992 account was pledged to
10 the Genesis loans, the -- we are looking at the
11 assignment of deposit account document that indicated a
12 hold amount of about 4.6 million.

13 What does the hold mean? Does that mean a
14 minimum balance?

15 A Yes. So whomever a signer is on that account
16 could transact on funds above that level, but any
17 transactions that dropped the balance below the hold
18 level would be rejected.

19 Q Okay. I'm just kind of going in order of what
20 the questions were before.

21 After this, we talked about the 4352 account
22 that's a Goodman Networks account, and you were asked
23 about your preparation and your review of the account
24 documents.

25 Did you review and discuss with bank personnel